

# THE ECONOMIC LEGACY OF CARL BALLOD: A MASTER OF MANY PROFESSIONS

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**Key words:** *Non-Marxist visionary, Latvian colony in Brazil, government statistician — Germany, honorary professor in Berlin, adored university professor — Riga.*

*Carl Balod's Magnum opus, Der Zukunftsstaat (1898) proposed that government purchases privately owned means of production — industries and farms — and replaces them with large-scale assembly line state-owned facilities. With this basis, he hoped for a fair distribution of national income as well.*

*Ballod's economics legacy reminds me of Paul Valdens, the much respected Latvian chemist. Ballod left the first examples of the future Input-Output-analysis without linear algebra. The late Modris Smulders was much impressed by Ballod's statistical skills.*

*Vox populi plays no role of what is important in science. For this reason, I am happy Latvians of today have celebrated Ballod's lasting memorable legacy. Alas, Latvians have been unwilling to translate his Der Zukunftsstaat. Maybe it will happen eventually.*

## Introduction

In 2014, Latvian economists were celebrating Carl Ballod's sesquicentennial. Permit me to call him a visionary socialist, a numbers cruncher, and a well-known statistician in Imperial Germany. After his return to Latvia following the First World War, his legacy was treated with derision, prejudice, even outright rejection and ignorance. Very few Latvians knew that Ballod detested Marxian advocacy of the violent overthrow of *laissez-faire* capitalism and destruction of the exploiters' class, the former owners of landed estates, industrial factories and banks. In the 1920s, Ballod's basic work, *Der Zukunftsstaat*, was still locked up in the German script. Even today, more than 100 years after the publication of his major opus, it still has not been translated into his native Latvian. In the 1920s, Lat-

via's ruling elite and academics were virtually all educated in Russia. His hearsay fame was based on the fact that Ballod was the creator of the food rationing system in wartime Imperial Germany during the First World War. Some people knew that Ballod was an avid advocate of fairness and a reasonably egalitarian distribution of national income. His students at the university adored him for his erudition and knowledge of numerous languages, for his worldwide experiences from Brazil to the Ural Mountains, and for his speaking skills. But on the whole, prior to his death in 1931, Latvians considered Ballod to have been a utopian, a "do-gooder socialist", with a degree in theology. To the small republic of Latvia, reeling after six destructive years of war, Ballod was useless. He was "*plānā galdiņa urbējs*", someone to be laughed at,

but gently. However, since his sesquicentennial celebration Carl Ballod has enjoyed a Renaissance of sorts.<sup>1</sup>

In Tsarist Russia, and in the early 1920s in the Soviet Union, Ballod's *Der Zukunftsstaat* was much discussed and appreciated. Ballod tried to demonstrate how to restructure an existing *laissez-faire* type economy into a socialist type system without privately owned means of production. His method of analysis was quite unique at that time. He demonstrated how changes in one economic sector can have effects on another sector. In some ways, Ballod's work was an updated version of Francois Quesnay's (1694–1774) *Tableau Economique of 1758*<sup>2</sup>. Ballod's analytical method was linked with the idea of assembly-line production technology, and it contained many input-output relationships in agriculture and industry. Today we call such relationships technological coefficients which constitute an important part of the contemporary Input-Output analysis, created by Wassily Leontief (1905–1999). His book, *Structure of the American Economy, 1919–1929*<sup>3</sup>, was published in 1941, for which he was awarded a Nobel Prize in Economics in 1973. Ballod's *Zukunftsstaat* did not develop something even close to Leontief's Input-Output analysis. Ballod was a good statistician, but he was not familiar with linear algebra. What is nevertheless of interest today is the fact that in the Soviet Union Ballod's book was summarized on 12 large-scale formatted pages in the "Soviet Economic Balances of 1923–1924"<sup>4</sup> planning document, written in Russian, which has never been translated into English. Furthermore, in 1990, a Russian publication, called *Worldwide Economic Thought*<sup>5</sup>, referred to the 1923–1924 Soviet document as an early version of Input-Output analytical tool in its initial form, but Ballod's name was not mentioned. To repeat, Ballod never produced the kind of neat Input-Output formula that emerged in Wassily Leontief's analysis. Ballod was interested in computing how much labour would

be required to tend 100 hectares of land. Later, he sought to determine how much labour would be required to tend farms of smaller sizes. Out of such comparisons emerged tangible and numerical evidence of technology coefficients for agriculture and industry. He was enamored with the notion of "big is beautiful and efficient" technology.

As a graduate student, in the early 1950s, I once asked Professor Leontief if he was familiar with Ballod's work, and if so, had it been useful to him in developing his Input-Output analysis. Leontief did not say yes or no, but later on in life I learned that he had written an essay on the material balances of the national economy of the Soviet Union<sup>6</sup> in the mid-1920s. Maybe Ballod was useful to him after all? For the sesquicentennial celebration of Ballod's birth, a volume of selected parts of Ballod's work written in the Latvian language<sup>7</sup> was published.

Since Ballod's *Der Zukunftsstaat* of 1898 is still not available in Latvian, I will proceed to analyse its salient features. Ballod's book was a treatise of unique breath and scope. He was a learned and practicing statistician. His statistics textbook of 1913 titled *Grundriss der Statistik; enthaltend Bevölkerungs-, Wirtschafts-, Finanz- und Handels-Statistik*<sup>8</sup> is still impressive. *Zukunftsstaat* also contained a unique method of inching towards Input-Output economics without knowing linear algebra. The book also asserted Ballod's total rejection of Karl Marx (1818–1883). It also contained normative elements of "what ought to be" in Ballod's version of socialism. He had been educated as a Lutheran theologian but he saw his mission in life and in the economics profession as the preparation of men and women for the good life on this side of the grave. His humble origin had left an indelible imprint on Ballod's mind. The son of blacksmith, he was educated at the University of Tartu. Ballod possessed the most basic and essential gifts of an economist. Besides being a skilled

statistician, he was an erudite scholar in the field of economic thought and polyglot. One can argue that he embodied John Maynard Keynes' (1883–1946) definition of an economist. “No part of man’s nature or institutions must lie entirely outside his regards,” Keynes wrote in his *Essays and Sketches in Biography*<sup>9</sup>. Keynes met Ballod in Leningrad in 1925 at the 200th anniversary of the Russian Academy of Sciences, as a guest of the Soviet government. Keynes respected Ballod. He had referred to him in 1920 in his famous post-First World War book, *The Economic Consequences of the Peace*<sup>10</sup>.

### The Latvian-born dreamer

Ballod was born on 20 June 1864, in Livland, a Western province of the Russian Empire at that time.<sup>11</sup> From early childhood he had to earn his keep while attending school. Because there was no money to pay for secondary school, or gymnasium, he completed the required *curriculum* at home in three years. He received his diploma from the gymnasium of Jelgava, and qualified for admission to any university in the Russian Empire. However, he chose the German-speaking University of Tartu in the Estonian part of the Baltic province. He majored in theology, minored in statistics and geography and in two years earned a Bachelor of Divinity degree with honours. He was ordained as a Lutheran minister in 1888, and he served for a short time in that capacity in St. Petersburg and Livland.<sup>12</sup>

The tall and slender Lutheran minister with bushy hair and fiery speech soon learned that being a clergyman was no bed of roses. He felt inadequate to cope with the social ills prevailing in rapidly industrializing semi-feudal Tsarist Russia. He gave up the ministry because in pre-First World War Tsarist Russia, he believed, “political and religious freedoms were being trampled to death”.<sup>13</sup>

Ballod was especially bothered by the discrimination Latvians encountered by German-

speaking landowners, judges, and business leaders. He believed that mass emigration to Brazil would provide Latvians an opportunity to prosper and enjoy vertical mobility.

In 1889, Ballod and his friend, Pēteris Zālītis, launched a scheme for Latvians to emigrate to Brazil’s Santa Catharina province, a fertile land with a temperate climate.<sup>14</sup> The venture turned out to be a royal failure. The Latvian immigrants found an underdeveloped jungle with appalling *laissez-faire* type social conditions. The local bureaucracy had allegedly stolen the start-up funds allotted by the central Brazilian government to the incoming Latvian settlers. After a few weeks, some of the immigrants returned to Latvia and some settled in nearby towns. Only a few remained in the Rio-Novo Latvian-speaking colony in Santa Catharina.<sup>15</sup> Ballod became a laughingstock back home in Latvia, and among the remaining immigrants in Brazil he was cursed and blamed for the failure of his enterprise.

He returned to Europe in 1891, settled in Germany and enrolled at the University of Jena to do graduate work in geography. Ballod wanted to become an academic, but in his native Latvia the ruling German-speaking elite considered an educated Latvian to be “inconceivable and virtually impossible”<sup>16</sup>.

In 1892, in less than two years, Ballod obtained his doctorate from Jena, writing a thesis titled “*Der Staat Santa Catharina in Süd-Brasilien*”<sup>17</sup>. He resolved to become a university professor, but despite his new degree, he could find no job. So he undertook a voracious reading of the massive Marxist and Utopian socialist literature.

As Russian speaker, Ballod was familiar with the writings of Russian Marxist socialists, anarchists, and *Narodniks*.<sup>18</sup> He was also well-versed with the popular German, French and Russian *Staatsromane* which extolled the material bliss, social justice and leisure-based lifestyle that would be ushered in by the coming collectivist societies.<sup>19</sup>

## Ballod's role models

Ballod was particularly impressed with Edward Bellamy's 1887 book, *Looking Backward, 2000–1887*<sup>20</sup>. Bellamy (1850–1898) was an American journalist whose book was enormously popular, selling more than a million copies in the U.S. alone.<sup>21</sup> Ballod was strongly impressed by the future social and economic institutions that Bellamy depicted in his Utopian tome. He believed that central planning, not a *laissez-faire* system, would emancipate workers from the economic and social conditions that Marx and Engels (Friedrich Engels, 1820–1895) had described and that Ballod himself had witnessed in Russia, Brazil and Latvia in the 1890s.

The other writer who left an indelible imprint of Ballod was Hermann Losch (1863–1935). It was his book, *Nationale Produktion und Nationale Berufsgliederung* (National Production and National Structure of Professions) of 1892 that suggested the methodology for Ballod's *Der Zukunftsstaat* of 1898.<sup>22</sup> Losch's volume alerted German readers to the economic dangers to Western Europe that the U.S. was posing at the end of the 19th century. He detailed how the U.S. had become an economic powerhouse through its assembly-line method of production. The American "large volume — standard commodity — low unit costs" method of production, being labour-saving, was flooding the world market with inexpensively produced goods. On average, Losch wrote, U.S. industrial workers were roughly 30 per cent more productive than their French counterparts.<sup>23</sup> To fend off the American economic threat, Losch called on Western European countries, particularly Germany, to modernize their industrial plants and loose small labour-intensive industrial facilities. He pleaded for the creation of a new economic order and recommended switching to a planned economy.<sup>24</sup>

In short, Losch called for massive introduction of the assembly-line technology in a state-owned and centrally planned economy.

He advocated a "big is beautiful" type socialist economy and the creation of a system of "guaranteed jobs" with an adequate living wage. Such a message was like honey to Ballod's ears.<sup>25</sup>

Without a job, Ballod decided once again to become a Lutheran minister. He took a position in the small town of Zlatoust in the Ural Mountains in Siberia. From 1893 to 1895, Ballod pastored a German colony whose members worked mostly in the local armaments factory.<sup>26</sup>

While in Siberia, the restless Ballod, knowing he wanted to become an academic in Germany, decided to write a monograph on mortality problems in Russia. The information he diligently collected on Russian mortality rates led to his first scientific triumph. In 1897, Ballod and his friend, Dr. Ludwig von Besser (1859–?), a physician, co-authored *Smertnostj, vozrastnoi sostav i dolgovechnostj pravoslavnogo narodonaseleniya oboego pola v Rossii za 1851–1890 godi* (Mortality, Age Composition, and Longevity of the Orthodox Population of Both Sexes in Russia 1851–1890)<sup>27</sup>. This work earned the authors the Tolstoy (Gold) Prize of the Russian Academy of Sciences of St. Petersburg in 1898.<sup>28</sup>

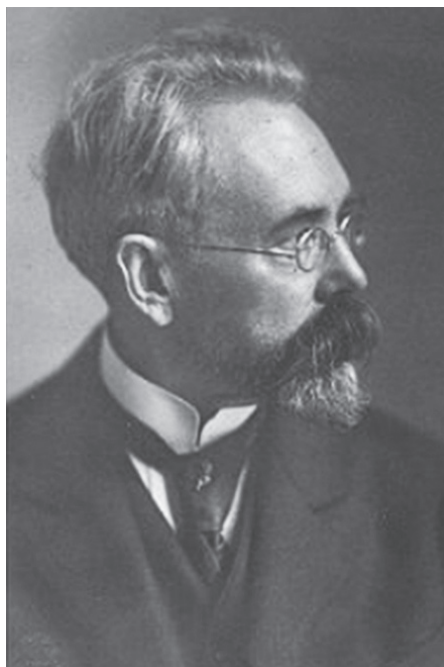
In 1895, Ballod left the Ural Mountains and set off for Germany. From 1895 to 1899, he did graduate work at various German Universities, primarily in Munich and Berlin. He had a difficult time, however, in finding a German academic who would chair his habilitation work. He finally had luck at the University of Berlin, where Professors Max Sering (1857–1939), Gustav Schmoller (Gustav Friedrich von Schmoller, 1838–1917), Ferdinand Richthofen (Baron Ferdinand Freiherr von Richthofen, 1833–1905) and Adolph Wagner (1835–1917) were favourably impressed with Ballod's published research.

In December 1899, his habilitation, or dissertation, was accepted and Ballod acquired the right to teach at German univer-

sities. The title of his habilitation was “*Die Lebensdauer der ländlichen und städtischen Bevölkerung und die mittlere Lebensdauer in Stadt und Land*”<sup>29</sup>, published in 1898. His first lecture at the University of Berlin, called “*Antrittsrede*”, dealt with Germany’s economic development since 1870. Ballod was quickly hired as a *Privatdozent* at the University of Berlin, but without tenure he had little income. He searched for a permanent position at several German universities, but could not find anything, and he returned to Riga in 1900.

Even though he had lived in Germany in the 1890s, Ballod did not acquire much respect for the country’s welfare legislation. Under Bismarck’s (Otto von Bismarck, 1815–1898) leadership in the 1880s, the Reichstag had passed the *Sickness, Accident and Old Age and Disability* insurance laws.<sup>30</sup>

On the surface, Ballod remained a competent statistician, a neutral numbers cruncher. He agreed with many that untrammelled *laissez-faire* had been a social fiasco and that the harsh edges of capitalism had created social inequalities and class tensions. Bismarck sought to reform this economic order with sweeping social and welfare legislation that would keep the Marxists and their revolution at bay. Ballod, however, remained a socialist in his heart. For him, nothing less than societal transformation on a Bellamy-like scale and pattern would suffice. Ballod concealed his true passions well. Few people in Germany knew that in 1898 Ballod had published his book, *Ein Blick in den Zukunftsstaat. Produktion und Konsum im Sozialstaat*, under the pseudonym of *Atlanticus*. A twenty-page introduction written by Karl Kautsky (Karl Johann Kautsky, 1854–1938), the leading social democrat in Germany, stressed that Ballod’s book provided a numerical foundation for a future socialist society. Interestingly, on 17 May 1899, Ballod’s *resume*, handwritten in Latin, did not list this book among his publications.<sup>31</sup>



### The salient features of Ballod’s *Der Zukunftsstaat*

Ballod was well known as an expert numbers cruncher among German economists in 1898 when *Der Zukunftsstaat* was published. But his name was not listed on the jacket of the book. Instead, its author was identified as *Atlanticus*, and a longish introduction was contributed by Karl Kautsky, Germany’s well known social-democrat. Ballod’s collectivist visions threatened his academic prospects in Germany. The aftermath of anti-socialist laws passed in Germany in 1878 had zeroed in on the Prussian bureaucracy, armed forces and universities. For this reason, Ballod kept his mouth shut. It took him seven years to have the book published in 1898.

What prompted Ballod to write *Ein Blick in den Zukunftsstaat*, while in Jena in 1892? His answer was simple: Marx’s theory of the inevitable breakdown of the capitalist system was incomplete. What, he wondered, would the desperados of the “reserve army of the



unemployed” do after they have seized the reins of power? Marx instructed them to expropriate the means of production from their former owners-exploiters, by eliminating them. But he left no blueprint for the production and distribution of goods and services. Thus, Ballod maintained, the Marxian faithful all over Europe were doing nothing to prepare themselves for the first day after a Marxist takeover. Ballod was annoyed and compared them with people who postponed learning to swim until the moment the water entered their mouth.<sup>32</sup>

Marxism, Ballod thus concluded, was only a theory of the breakdown of a capitalist system and not a general theory of socialism. Ballod attempted to provide quantitative indicators of the new self-sufficient socialist country. He envisioned it could be Germany, after the major means of production had been “bought out” from the former owners by the new socialist government. Assuming assembly line technology, Ballod believed, socialism could be implemented in his own

lifetime, rather than in a distant, unknown future. And he assumed that the transformation of capitalist societies into socialism would take place peacefully.

In agriculture, Ballod recommended the elimination of all small farms and the concentration of agricultural production in large farms that would be state owned and state run. If these large farms were equipped with novel machinery and the best seeds and fertilization techniques, he reckoned, food production could be doubled and even tripled in the immediate future. More and better food for impoverished proletarians was Ballod’s pet goal.

By using the latest and best agricultural techniques in existence — such as those in use in the U.S. in the late 1880s and 1890s — Ballod argued, it would be possible to eliminate 60 per cent of all labour while doubling agricultural output in value terms. This example suggests that Ballod was thinking in terms of contemporary Input-Output relationships, without the use of linear algebra.

In industry, Ballod proposed to eliminate all small manufacturers and replace them with large modern mass-production plants. To gauge the productivity gaps in various branches of German industrial plants, Ballod compared the prevailing output figures in the U.S. and other modern countries with corresponding figures in Germany. The differences in productivity, he said, revealed a mis-utilisation of manpower, equipment and raw materials in the prevailing capitalist system. He assured his readers that in Bellamy-like socialism, the most modern and efficient equipment and production methods would be the order of the day. Socialist managers would see to it. The driving force of relentless modernisation and innovation would originate in state-run managerial offices, not in the private sector with Schumpeter<sup>33</sup>-like innovators in a capitalist system.

Ballod pleaded for the introduction of mass production techniques under the



egis of socialism. The three basic questions of *What to produce*, *How to produce*, and *For whom to produce*, would be decided by consumer demand, *not by central planners*. Assembly-line production was Ballod's pet device for the creation of Bellamy-type socialism. He used the output figures of the most efficient industrial plants in existence around 1895 to indicate the possible increases in efficiency and output levels in a socialist set-up. His numerical examples of German textile, clothing and shoemaking industries showed greater efficiency under Ballod's socialism. Using similar methods, Ballod discussed ways and means to raise productivity and output levels in the machine- and iron-making industries, as well as woodworking, papermaking and chemical industries.

### **Mandatory labour conscription**

One of the unique features of Ballod's book was a proposal to set up mandatory labour conscription for national service. Men would be drafted at the age of 17 for nine or ten years, while women would be conscripted at 15 for a seven-year stint. Upon completion of service, every man and woman would be entitled to receive a life-long pension, which would be adequate to cover basic living expenditures. Ballod argued that mandatory conscription would be indispensable. It would help rise the funds necessary to compensate former business owners for the expropriated means of production. In addition, the accumulated funds would be needed to pay salaries to the technicians, engineers and managers of state owned firms. Prior to the mandatory draft, all teenagers would be required to attend school. Under Ballod's plan, men would acquire their pension rights at the age of 26 to 28, whereas women between 21 and 24. Thereafter every couple could apply to the government for a free one-quarter hectare lot (one hectare equals roughly 2.5 acres) on which they could build

a house. The building materials would be obtained from state-owned and state-run supply depots in exchange for labour services. The construction of the houses would be done by socialist building cooperatives.

In short, Ballod's Bellamy-like socialism would use extensive price, wage, and rent controls, coupled with various forms of rationing of consumer goods, rent and floor space controls. Such a system would resemble wartime system with repressed inflation. Ballod himself was enthusiastic about his scheme, which would guarantee what is popularly called "social justice" and "fair distribution of income" for everybody. He estimated that his type of socialism would double or triple *per capita* national income. Alas, Ballod paid little attention to the problem of incentives of the work force.

The first edition of *Der Zukunftsstaat* listed its author as *Atlanticus*. Its precise title was *Ein Blick in den Zukunftsstaat. Produktion und Konsum im Sozialstaat*, and it was published in 1898. The introduction was by Karl Kautsky and it ran 24 pages long. At that time, Ballod was finishing his habilitation (qualification as a teacher in a German university) at the University of Berlin, and he did not dare to use his real name. He was serving as a university lecturer at the University of Berlin, and this also obliged him to remain mum about his authorship. A book extolling the virtues of socialist economic planning and fair shares in the distribution of national income would have automatically led to any author's dismissal from his teaching job.<sup>34</sup>

The first edition of *Der Zukunftsstaat* triggered two types of reviews in rapid succession. The left-leaning German social democrats greeted the book with almost total rejection, derision and mockery, social democrats could not forgive Ballod for having called Marx's legacy incomplete and useless for building a socialist society. Ballod had repeatedly asserted that European social democrats were just passively waiting for the

day when *laissez-faire* capitalism would collapse of its own weight and when the reserve army of unemployed would acquire power. To social democrats Ballod was preaching apostasy. Ballod had dared challenge the sacred texts of Karl Marx! One leftist reviewer wrote that Ballod's book resembled the musings of a theologian about life after death.<sup>35</sup> Others said there was nothing wrong with collecting productivity data from large capitalist plants, but it was silly to do so because Marx did not deal with such matters. Other writers condemned Ballod for lacking "a sense of history" and claimed that his book contained little or nothing about the work of Karl Marx.<sup>36</sup>

Non-Marxists, by contrast, reviewed Ballod's book with professional balance and reserve, Hermann Losch published a solid review in the *Beilage zur Allgemeinen Zeitung* of 1 July 1899. Losch was impressed with Ballod's methodology in calculating possible productivity increases. Losch was the author, mentioned earlier, who had written *Nationale Produktion und Nationale Berufsgliederung* in 1892. Professor Karl Diehl's (1864–1943) review of Losch's book was published in the *Annals of the American Academy of Political and Social Science*<sup>37</sup>. Diehl was a German theoretical economist and academic who was known for carefully perusing the books he reviewed. Diehl wrote that the United States had made rapid progress in lowering costs of production in industry and agriculture. The American assembly-line magic had become the envy of the world, and he praised the German quest to build large industrial plants to raise productivity. However, Diehl argued that modernisation should be undertaken by the private sector, not by government officials. Because Ballod's book contained so many components of Lösch's volume, Diehl would have made similar objections to *Der Zukunftsstaat*, where the "doers" were government officials.

It is noteworthy that more than 100 years after its publications Ballod's book has

not been translated into his native Latvian. Surely bits and pieces exist in Latvian newspapers but nothing compared to the complete translation of the various editions of *Der Zukunftsstaat*. The early versions of *Der Zukunftsstaat*, particularly the first one, enjoyed considerable popularity in Tsarist Russia. Between 1903 and 1906, it circulated in six to eight different translations, only one of which had Ballod's authorization. The second edition was published in Moscow and Kharkov without Ballod's permission. Lenin (Vladimir Ilyich Ulyanov, 1870–1924) read the work and commented on it rather harshly, saying that Ballod's volume "got hung up in the air and remained the non-serious work of loner (*odinochka*)"<sup>38</sup>.

From 1900 to 1903, Ballod lived in Riga and wrote successfully for a number of Latvian newspapers. An accomplished linguist, he read daily in German, Russian, English, French, and even Portuguese. As a theology student two decades earlier at the University of Tartu, he had learned Latin, Greek and Hebrew to fulfil the requirements for graduation as a Lutheran minister. Besides living in Germany, Brazil and Russia, he had travelled widely in other European countries. He enjoyed wide readership in Latvia because of the scope and breadth of his essays and because of his plea for a greater role for ethics in life and society.<sup>39</sup>

Nobody knows the exact number of newspaper articles Ballod wrote in the Latvian language in his life. A search by the library staff in Misiņš Library in the early 1990, in Riga, Latvia, uncovered 443. The number of newspaper articles that Ballod wrote in Germany, especially after the end of the First World War, is also unknown.

## Back to Germany

Although Ballod was a busy journalist and a salon idol among Latvian intellectuals in Riga, his mind was bent on returning to Germany. In 1904, good fortune smiled on



him. In the early spring, a position opened in the Prussian statistical office in Berlin. Out of numerous applicants, the chairman, Dr. Blenck, felt that Ballod was the best applicant for the vacancy. The only problem was that Ballod was still a citizen of the Russian Empire. On 26 March 1904, Dr. Blenck wrote to Ballod and inquired if he were prepared to renounce his Russian citizenship and become a Prussian citizen. If so, he could have the vacant job, and a handshake would seal the job. Blenck had no objections to Ballod's eagerness to teach two hours a week in winter and one hour a week in summertime at the University in Berlin. He set Ballod's salary at 3600 marks a year<sup>40</sup> and Ballod started working on 1 May 1904, at the age of 40.

Shortly thereafter, Friedrich Althoff (1839–1908), a close academic advisor to the Kaiser, wrote to Germany's Minister of Internal Affairs and reported that among German economists Ballod was well known for his serious academic work, and that his behaviour had always been impeccable and proper. Althoff was in charge of all University appointments in Germany<sup>41</sup>; without his blessing, no professor could be appointed. Althoff had no use for Marxists, social democrats, or utopian socialists, but did open university teaching jobs to Catholics and Jews. He was a man of vision, who foresaw a Germany with magnificent universities and excellent research laboratories.

Althoff always obtained information on university job applicants from loyal, faithful and accomplished friends, such as Gustav Schmoller, who was teaching then at the University of Berlin. Schmoller admired Ballod for his statistical skills and research. Ballod was invited to attend Schmoller's 70th birthday celebrations, and he contributed an article to the volume of essays published in honour of Schmoller.<sup>42</sup>

On 5 March 1905, Ballod was awarded a professorship at the University of Berlin.<sup>43</sup>

Alas, his title of professor did not include the rank of what the Germans call *ausserordentlicher Professor* (Associate Professor), let alone *Ordinarius* or full professor.<sup>44</sup> Ballod was asked to teach courses in statistics, economic development of the Russian Empire, and public finance. Ballod was flying high. In the second half of 1908, Ballod worked for the Finance Ministry, where he concentrated on tax reform.<sup>45</sup>

Despite being such a busy and successful academic, Ballod was never promoted to associate professor. The Ministry of Education twice turned down recommendations from the University of Berlin: the first time in 1910, and the second time in 1913. In the spring of 1914, the Ministry of Education wrote to the Minister of Internal Affairs to propose that the Kaiser promote Ballod to the rank of regular honorary professor, without pay. His boss, Dr. Blenck, replied that such a step would enable him to retain Ballod in Germany. Dr. Blenck was afraid that universities abroad might lure him away from Germany. In the spring of 1914, Germany's Kaiser William II approved, and privatdocent Carl Ballod was promoted to the rank of regular honorary professor at the University of Berlin.<sup>46</sup> Ballod was not happy about his inability to become a tenured professor in Berlin. I suspect he became bitter and angry, but on a daily basis he remained a polite numbers cruncher.

During the First World War, he worked for the Reich's Ministry of War, and eventually he was promoted to the rank of secret government adviser, a *Geheimrat*.

Ballod was a broad-based economist, who considered geopolitics an indispensable part of his discipline. Around the turn of the century, he began to wonder what would happen if food supplies overseas, like the U.S., Canada and Argentina, would stop selling Germany the grain it needed. This question would assume great relevance if a major war broke out, and he wrote on the topic in an essay widely read in Germany.<sup>47</sup>

Shortly before the outbreak of the First World War, Germany imported roughly one-third of its grain and two-thirds of its feed from overseas. The country had become a net grain importer after unification in 1871; its farmers could no longer provide enough grain to feed a rapidly growing urban population at competitive prices. Politicians, army officers and a number of tune-calling economists feared a “grain import dependence” and “economic vulnerability”. An acrimonious debate raged: Should Germany follow the British free-trade example, or should it protect its agriculture and attempt to minimize the consequences of foreign grain dependence.<sup>48</sup> Ballod was an important participant in this debate.

After the outbreak of the First World War, food shortages in Germany emerged almost at once. As early as October 1914, “war bread” was introduced, which contained a high percentage of potatoes and turnips. In 1915, two meatless days per week followed. Rationing cards were introduced for all basic foodstuffs such as bread, butter, milk, fats, and meat. By 1916, the feed situation became quite critical, and Ballod recommended that 50 per cent of the country’s hog stock should be slaughtered in order to increase potato and grain stocks. Thereafter, Ballod became known as the “pig professor”.<sup>49</sup> As mentioned above, in addition to lecturing at Berlin University, Ballod served as an economic advisor to the War Ministry from 1914 to 1918.<sup>50</sup>

He also played an important role in efforts by influential Germans to establish a Jewish homeland in Palestine. After the British Balfour Declaration of 1917, which promised a home to the Jewish people in Palestine, Germany’s leading political circles grasped that something must be done along similar lines by Germany as well, and quickly. A German *Pro Palästina Komitee* was established, which consisted of a representative cross-section of Germany’s scientists, politicians,

and journalists.<sup>51</sup> Its main function was to interest important people in Germany in Palestine and its potential use for colonisation by Jews. In 1918, Ballod published *Palästina als jüdisches Ansiedlungsgebiet*,<sup>52</sup> in which he argued that with irrigation and modern agriculture techniques, Palestine could easily support six million people.<sup>53</sup> At the time of his death in 1931 in Riga, *The New York Times* obituary referred to him as a “world-famed economist, who was one of the first modern explorers of Palestine”<sup>54</sup>.

After the Armistice of November 1918, Ballod became very active in the Independent Social Democratic Party of Germany. He came out of the socialist “closet” and openly professed his formerly hidden loyalty to the “just and equitable socialist faith”. He wrote prolifically for the party’s newspaper, *Die Freiheit*, and deplored the post-war chaos in defeated capitalist Germany. He pleaded for the abolition of all small private firms in industry and agriculture and advocated the transformation of Germany into a Bellamy-like self-sufficient socialist country.

At the University of Berlin socialist professors had hardly existed. German government officials, journalists, and army officers were surprised to learn about Ballod’s socialist beliefs. They denounced him in any way they could. Many pointed to the total collapse of the Bolshevik-run socialist economy in Russia and the wholesale and savage elimination of the country’s former economic, bureaucratic and institutional elite by the new Leninist government. The Latvian *Red Guard* regiments had played a prominent role in transforming Russia into a Soviet state, and Germans knew that Ballod was of Latvian origin.<sup>55</sup> Furthermore, from January to May 1919, the Latvian communist government, headed by Pēteris Stučka (1865–1932), was turning Latvia into a socialist country.<sup>56</sup> Baltic Germans were feeling the full brunt of the change, and many were leaving to seek refuge in Germany. Ballod’s

life in Berlin became difficult, even dangerous.

### **Ballod's return to Latvia**

In the fall of 1919, after twenty-six years in Germany, Ballod returned to his native Latvia and took his socialist views with him. He was appointed professor of economics at the University of Latvia, and his students came to admire, respect and love him. He lectured widely and was a busy journalist. His role model for Latvia was Denmark, a small country like Latvia. Ballod forever reminded his fellow Latvians that all small countries have three economic salients. One is a highly skewed resource pattern. Another is a small domestic market, which makes it virtually impossible to mass-produce consumer durables and capital goods competitively. The third is overspecialisation in a few products, resulting in a high export concentration and heavy dependence on foreign markets. This reliance is reflected in high ratio of trade volume to Gross Domestic Product, a high ratio of indispensable imports to total commodity imports, and often, heavy foreign indebtedness. Alas, the mindset of tune-calling Latvians was cast in terms of large factories, as was the case before the First World War, when Latvia had been a part of the huge Tsarist Russian Empire. Furthermore, these new Latvian rulers were subdividing the huge former Baltic-German land estates into one- and two-horse farms. This is precisely what Ballod wanted to avoid. Also, in the 1920s, Latvia had almost one new government every year. From Latvia's independence in 1918 until 1931, the year of Ballod's death, more than 15 different governments existed. To the new ruling Latvian elite, Ballod was nothing but a "socialist do-gooder, dreamer and fantasm". Bellamy's vision of socialism "with justice and job security" became, in Ballod's life, a pipedream that could not come through.

After the Bolshevik revolution of 1917, Russia became embroiled in a bloody civil war and was ruthlessly transformed into a Lenin-type socialist society. Ballod was dismayed by the ensuing debacle. To gain the support of the masses of landless Russian peasants, the Bolsheviks partitioned 130 000 large agricultural estates into 16 million mini-farms. This triggered widespread starvation<sup>57</sup> among the urban population and relentless terror against former "exploiters of the working people".<sup>58</sup>

Ballod observed first-hand the results of the Bolshevik agricultural experiment. In 1920, he served with the Latvian delegation that was negotiating a peace treaty with Soviet Russia in Moscow. He met numerous former Latvian acquaintances who had remained in Soviet Russia and had acquired enormous influence in the new government and its armed forces, secret police, and Lenin-led communist party. In 1928, Ballod was elected to the Latvian Parliament, *Saeima*. He was the only member of the Latvian Worker's Union. Ballod's speeches, ethical principles, remarkable memory, and phenomenal quantitative sense, made him a celebrity in the Parliament. Alas, his biting speeches were not much appreciated by the mass media and he became the subject of ridicule and abuse. Neither left-wing nor right-wing folks could tolerate him. For the leftists he was an outcast because he did not take Marx seriously enough, and for the rightists — a dangerous subverter from within.

He died on 13 January 1931.<sup>59</sup> The cause of death was listed as pneumonia, but many people believed Ballod had been poisoned. More than six months after his burial, Ballod's body was exhumed, but an autopsy found no positive proof that he had been poisoned. Jonāss Miesnieks (1896–1975), a judge and well known writer and my late former father-in-law, was a witness to that autopsy.

## Conclusions

What is Ballod's legacy to Latvian economists and to the economics profession? The recently published compendium of Ballod's selected Latvian language publications, titled *Kārlis Balodis. Ievads tautsaimniecībā un ekonomiskā politika* [Kārlis Balodis. Introduction to National Economy and Economic Policy] may serve as a handy stepping stone, a textbook of sorts. And while *Der Zukunftsstaat* of 1898 is still not available in Latvian, proceedings of this symposium may become a kind of *Biblia Pauperum* of Ballod.

How do I evaluate Ballod's legacy? How do I pull together the various aspects of his work, cast in German, Russian, and Latvian languages?

I was educated at the University of Göttingen, Germany, and at Rutgers University in the United States in the early post-war years, so my mindset may be different from today's math-based economists. In Göttingen, the emphasis was on erudition. We read in cold libraries and slowly became "Jacks-of-many-trades and masters-of-none". Our education did not have the narrow mathematics focus. We were not bogged down in detailed mathematics. We paid considerable attention discussing important historical thinkers in the field of economics and policy making. Today the history of economic thought is rarely taught. Students and their professors dislike storytelling economics. But all this is changing quite rapidly now. In England, at the University College of London, Professor Wendy Carlin (born 1957) has designed a new university-level curriculum called *Rethinking Economics*. It aims to use historical thinkers as a source of new ideas. It seems that Latvian economists are at the cutting edge of this process by examining Ballod's economic legacy. At Rutgers, I studied Micro- and Macro-Economics. I was particularly attracted to Keynesian economics. His deflationary gap analysis, fortified by the multiplier and accelerator tools, became my bread and butter. As

a teenager, I had witnessed the transformation of Latvia into a Soviet republic. Youngsters had to learn how to behave, first under Stalin (1878–1953) and then under Hitler (1889–1945). In other regimes we coped with inflationary gaps with price controls and different forms of rationing. Labour conscription was mandatory with fixed wages, and floorspace controls prevailed with fixed rents. These societal laboratory experiments became the foundation for my formal education as an economist. They prepared me to evaluate the socialist society Ballod describes in *Der Zukunftsstaat* of 1898.

Where would Ballod's place be in terms of Economic Thought framework? Adam Smith (1723–1790), in his *Wealth of Nations*<sup>60</sup> of 1776, said that peace, easy taxes, and tolerable system of justice were the indispensable institutional requirements for a nation's economic well-being. Stable and well-protected property rights and just enforcement of contracts, he maintained, were also a part of that institutional set up. Health, poverty, exploitation, and unemployment were not distinct responsibilities of Smith's limited for government, known as "*laissez-faire*". A century later, Germany and England were experiencing social unrest, poverty, poor health, exploitation, and economic inequality. A new breed of economists emerged, called "social saviors" or "economic transformers". They read Karl Marx's "Communist Manifesto"<sup>61</sup> and dreamed of the destruction of *laissez-faire* capitalism. Out of the ashes of exploitative *laissez-faire* capitalism, they said, a just socialist system could arise with no privately owned means of production and with a good life for proletarians on this side of grave. Carl Ballod was one of those "social saviours". He proposed his future socialist Nirvana while living in Imperial Germany, but failed to observe that Bismarck's Reichstag in the 1880s had enacted legislation to protect and insure factory workers against accidents, provided medical care for the entire German

Reich, and to pay for old age pensions. These laws swept away *laissez-faire* capitalist system, and Germany laid the foundations for the capitalist welfare state that is still extant today throughout the industrial world. Was Ballod wilfully blind for not seeing the effects of Bismarck's laws? Or, was he such a captive of egalitarianism, achieved non-violently, that existing reality did not matter? Furthermore, did he really believe that all innovations, in industry or agriculture, would emerge in government offices and not with Schumpeter's innovators? And did he forget the role that incentives play in economic systems?

As Ballod was drafting his version of non-Marxian socialism, he used rudimentary input-output relationships in various sectors of the economy. He never used linear algebra as a methodology. Wassily Leontief later provided a usable method of calculating technology matrices for the various products and the respective outputs of production. As mentioned, Soviet economists used Ballod's methodology in the early 1920s, but Lenin dubbed Ballod's work "the book of *odinochka*". Upon return to Latvia in 1919, Ballod focused on the small countries of Europe. Denmark was his favourite. Today economic surveys list the tiny country at or near the top in standard of living, income equality, literacy and happiness. The British journalist, Patrick Kingsley (b. 1989), recently published a book called *How to be Danish*<sup>62</sup>. This book is an up-close look into a near-utopian country that Ballod was dreaming about almost a sesquicentennial in 1898.

## Carl Ballod (1864–1931)

### Red-Letter Dates

- 1864 — born in Livland, part of Latvia belonging to Russia at that time
- 1887 — earned Bachelor in Divinity degree at Tartu University, Part of Estonia belonging to Russia at that time
- 1889 — led efforts to transplant Latvians to Brazil
- 1891 — commenced graduate work in geography at the University of Jena, Germany
- 1892 — earned *Dr. phil.* degree
- 1892 — finished the initial draft of *Der Zukunftsstaat*, while still in Jena
- 1893–1895 — served as Lutheran minister in Zlatoust, in Siberia, in Russia
- 1895 — left his congregation in Zlatoust and went to Germany
- 1895–1899 — did graduate work at the University of Munich and Berlin
- 1900–1903 — worked in Riga as a journalist
- 1904 — was appointed statistician in Berlin
- 1904–1919 — taught at the University of Berlin
- 1919 — returned in Latvia for good
- 1931 — 13 January died in Riga

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## About the author

**Nicolas W. Balabkins**, *Ph. D.*, is an Emeritus Professor of Economics at the Lehigh University in Bethlehem, the U.S., since 1957. Research interests: the concept of forced labour, Russian economic thought and its debilitating legacy, the clash of political and economic nationalism in Latvia, Schumpeter's innovators, biobibliography of Carl Ballod. He has authored 13 books, his publications are available at Misiņša library in Riga, Latvia.

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## KĀRĻA BALOŽA EKONOMISKAIS DEVUMS: DAUDZU PROFESIJU PRATĒJS

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## KOPSAVILKUMS

**Atslēgvārdi:** *nemarksistiskais vizionārs, Latvijas kolonija Brazīlijā, valdības statistiķis — Vācijā, goda profesors Berlīnē, iemīļots universitātes profesors — Rīgā*

Kārļa Baloža apjomīgajā darbā *Der Zukunftsstaat* (1898) ierosināts, ka valsts nopērk privātos ražošanas līdzekļus — ražotnes un fermas — un tās aizstāj ar lielformāta valstij piederošām konveijera rūpniecības ražotnēm. Viņš cerēja, ka uz šāda pamata varēs nodrošināt godīgu nacionālā ienākuma sadali.

Baloža ekonomiskais mantojums man atgādina par cienījamo latviešu ķīmiķi Paulu Valdenū. Balodis atstāja pirmos izmaksu–izlaides analīzes piemērus bez lineārās algebras izmantošanas. Modri Šmulderu ļoti ietekmēja Baloža statistiskās prasmes.

*Vox populi* nav nozīmes tajā, kas zinātnē ir svarīgs. Šī iemesla dēļ esmu priecīgs, ka mūsdienās latvieši ir novērtējuši Baloža paliekošo un nozīmīgo devumu. Tomēr, par nožēlu, latvieši nav vēlējušies iztulkot viņa *Der Zukunftsstaat*. Varbūt tas tomēr kaut kad notiks.